BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

IN RE: PETITION OF ASHLEY OAKS)	
WATER SYSTEM, INC. FOR)	
APPLICATION FOR RATE	ý	CERTIFICATE OF SERVICE
INCREASE	ý	

I, Lyn Richards, CPA, as representative for Ashley Oaks Water System, Inc., hereby certify that I have delivered by hand five copies plus the original Application for Proposed Rate Increase to the South Carolina Public Service Commission at their offices at 101 Executive Center Drive, Suite 101, Columbia, SC on this date, August 8, 2005. I have placed a copy of the same in the United States mail, first-class postage to:

Michael D. Shelley, Sr. 100% Shareholder Ashley Oaks Water System, Inc. 209 Blythewood Road Blythewood, SC 29016

Lyn Richards, CPA

DOCKET NO: _205-235-W___

APPLICATION OF ASHLEY OAKS WATER SYSTEM, INC. FOR APPROVAL OF AN ADJUSTMENT IN RATES AND CHARGES FOR WATER SERVICES

In accordance with S.C. Code § § 58-5-210 et seq., R 103-514.4, 103-712.4 and R 103-834, the Applicant, Ashley Oaks Water System, Inc., request adjustments of the rates and charges for water services, and submits the following information and Exhibits in support of its Application.

TABLE OF CONTENTS

- 1. Overview and Justification
- 2. Statement of Proposed Rates
- 3. Current Form of Customer Billing
- 4. Copy of Performance Bonds
- 5. Latest Evaluation by SC-DHEC including Survey Reports dated March 17, 2005
- 6. Required Regulatory Financial Statements and Analyses
- 7. Service Area Map

OVERVIEW AND JUSTIFICATION

Ashley Oaks Water System, Inc. ("Utility") was established to provide water service to the 153 acre planned development known as Ashley Oaks phases VI, VII, and VIII, located in Blythewood, South Carolina, Richland County.

This application for approval of new rates and charges is based on the historical test year ended December 31, 2004. The test period is representative of the Utility's normal operations which have produced little, if any, historical annual income. The pro forma rate period is also presented on a complete system analysis. Virtually all potential customers are being served; the system has reached full system build-out. There are currently 94 customers, only six lots remain that could be built upon, but are sold lots. The proposed complete system includes the Utility's current service territory of residential connections which consists of residences in Ashley Oaks, Phases VI, VII, and VIII. The system is currently designed to service over 250 residences. No plans exist at this time to expand the current number of users, the subdivisions are fully sold.

This application is necessary because the current rates do not enable the Utility to cover its cost of providing service; earn a fair return on its investment; adequately provide the ability to fully comply with required testing and treatment; and provide for replacement costs for normal wear and tear on the water system. The Utility has not been granted relief for rates in 16 years. The test year revenues, under current rates, produced a net operating loss of \$3,625 for water operations, and a negative 4.5% return on investment. The proposed rates developed in this application are essential for Ashley Oaks Water System to continue to provide its customers with adequate water service.

The South Carolina Department of Health and Environmental Control (DHEC) requires that: "The water from each treatment process shall be sampled and analyzed as often as necessary to ensure that the treatment process is functioning properly, but in no case less than once a day." (R. 61-58 State Primary Drinking Water Regulation). The Utility's revenues at the current levels are not adequate to cover the cost of water testing compliance daily. A rate increase will be used to fund water testing at the level proscribed by this regulation.

The application shows that the proposed rates applied to the December 31, 2004 billing analysis would produce approximately only a 6% return on the Utility's investment in the water system.

The application does not include customer growth projections, as the subdivision and related water system are fully built out. Maximum number of new customers to the system would be six.

The Utility has had outstanding debt to a related entity for the original equipment cost since the inception of the company. Operating deficits have been funded by the same related entity. The entity has not charged the Utility interest. The Utility has never had enough working capital to repay the debt. Currently, the Utility has been conserving all cash to provide a reserve for replacement equipment. The proposed rate increase will provide adequate cash to protect a reserve for equipment replacement, and to repay debt plus related interest.

As per Section 103-834 A (1) and (2) of Article 8, Chapter 103 of the Laws for Public Service Commission; the precise name of the Utility is Ashley Oaks Water System, Inc., the physical address of the utility is 209 Blythewood Road; Blythewood, SC 29016. Lyn Richards has been retained to assist with this application. The contact information is Lyn Richards, 121 Executive Center Drive, Suite 243; Columbia, SC 29210. The phone number for Lyn Richards is 803-798-4302. Michael D. Shelley, Sr, is the sole shareholder of Ashley Oaks Water System, Inc. and his phone number is 803-786-1414.

Ashley Oaks Water System, Co. 209 Blythewood Road Blythewood, SC 29016

Invoice

Invoice Number:

6429

Invoice Date:

May 3, 2005

Page:

Phone

786-1414

Fax:

754-7700

Emergency

Numbers:

754-8473; 513-4286; 749-0710

Bill To: DALE M. JOHNSON

111 MAPLE RIDGE ROAD **BLYTHEWOOD, SC 29016**

Service Period	Payment Terms	Due Date	Customer ID:	
4/5/05 - 5/2/05	Net Due	Upon Receipt	JOHNS	

Quantity	Item	Description	Unit Price	Extension
		CURRENT 696800		
		PREVIOUS 694250		
2.551		Water Gallons Used	1.95	4.9
1.002		Monthly Basic Service	7.00	7.0

Total Invoice Amount

11.97

Past Due Amount

TOTAL DUE

11.97

Date: 5/24/2005 01:02 PM Page: 2 of 3

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	Blythewood SC 290	16	INSURER D.			
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	GEN'L AGGREGATE LIMIT APPLIES PER.				PRODUCTS - COMP/OP AGG	
	POLICY X PRO- JECT LOC	·			TOTAL CONTROL AGG	\$2,000,000
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	X SCHEDULED AUTOS X HIRED AUTOS				BODILY INJURY (Per person)	\$
	X NON-OWNED AUTOS				BODILY INJURY (Per accident)	\$
					PROPERTY DAMAGE (Per accident)	\$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	\$
	ANY AUTO				OTHER THAN EA ACC	\$
	EXCESS/UMBRELLA LIABILITY				AUTO ONLY AGG	\$
	OCCUR CLAIMS MADE				EACH OCCURRENCE	\$
					AGGREGATE	\$
	DEDUCTIBLE					\$
	RETENTION \$					\$
EMP	RKERS COMPENSATION AND LOYERS' LIABILITY	22-25946	12/12/24		WC STATU- TORY LIMITS X OTH- ER	\$
OFF	PROPRIETOR/PARTNER/EXECUTIVE CER/MEMBER EXCLUDED?	25510	12/19/04	12/19/05		\$1,000,000
If yes	s, describe under CIAL PROVISIONS below					\$1,000,000
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DATE THEREOF THE ISSUING INCUIDED WILL THE THEREOF				_		
			NOTICE TO THE	THE ISSUING INSURER	WILL ENDEAVOR TO MAIL 1	O DAYS WRITTEN
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Ashley Oaks Water System 209 Blythewood Road		IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR				
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	Blythewood SC 2901	d 6	AUTH RIZED REPR			



May 24, 2005



Ashley Oaks Water Co. & The Public Service Comm. of S.C. 209 Blythewood Road Blythewood SC 29016

To Whom it may concern:

Your certificate, number 3939, has been renewed. This certificate of deposit was renewed at 12 months with a rate of 2.30%. If you have any questions, feel free to call me at 803-337-2251! Thanks for banking with the Bank of Ridgeway!

Sincerley,

Erin L. White Customer Service

24 Pay of May 2005

My Commission Expires December 27, 2010

SADLER & CO INC PO BOX 5866 COLUMBIA SC 29250-5866 (ECEIVEL

3 2003



January 11, 2003

BOX 30660, LANSING, MICHIGAN 48909-8160
AUTO-OWNERS INSURANCE COMPANY
AUTO-OWNERS LIFE INSURANCE COMPANY
HOME-OWNERS INSURANCE COMPANY
OWNERS INSURANCE COMPANY
PROPERTY-OWNERS INSURANCE COMPANY
SOUTHERN-OWNERS INSURANCE COMPANY

NORTHEAST REALTY & BUILDERS INC ASHLEY OAKS DEVELOPMENT CORP ASHLEY OAKS WATER SYSTEMS INC 209 BLYTHEWOOD RD BLYTHEWOOD SC 29016-9538

Dear Policyholder:

At Auto-Owners Insurance, we value your business and appreciate the trust you have placed in us.

The federal government recently enacted the Terrorism Risk Insurance Act of 2002 in response to the unprecedented financial risks presented by potential acts of terrorism in the United States. Please refer to the notice, Important Information Regarding Terrorism Risk Insurance Coverage, on the reverse side of this letter for additional information.

Auto-Owners Insurance Group is financially sound and is ranked among the leaders in the industry for financial security. Auto-Owners property and casualty companies are rated "A + +" [Superior] from A.M. Best Company, the nationally recognized independent rating authority.

Please contact your Auto-Owners agency with any questions you may have about your insurance needs.

Again, we appreciate your business.

H. J. Arends, Chairman and CEO

Serving Our Policyholders and Agents for More Than 85 Years

SADLER & CO INC PO BOX 5866 COLUMBIA SC 29250-5866



January 11, 2003

BOX 30660, LANSING, MICHIGAN 48909-8160
AUTO-OWNERS INSURANCE COMPANY
AUTO-OWNERS LIFE INSURANCE COMPANY
HOME-OWNERS INSURANCE COMPANY
OWNERS INSURANCE COMPANY
PROPERTY-OWNERS INSURANCE COMPANY
SOUTHERN-OWNERS INSURANCE COMPANY

FEB 3 2003

NORTHEAST REALTY & BUILDERS INC ASHLEY OAKS DEVELOPMENT CORP ASHLEY OAKS WATER SYSTEMS INC 209 BLYTHEWOOD RD BLYTHEWOOD SC 29016-9538

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Again, we appreciate your business.

H. J. Arends, Chairman and CEO

Serving Our Policyholders and Agents for More Than 85 Years

KECEIVEL FEB 3 2003



Zurich North America

Dear Valued Policyholder:

1400 American Lane Schaumburg, Illinois 60196-1056

Re: Urgent Notice Regarding the Terrorism Risk Insurance Act of 2002

Internet www.zurichna.com

Because we deeply value our customers at Zurich North America, we are making every effort to quickly ensure that you are fully aware of the significant impact of the Terrorism Risk Insurance Act of 2002, which was recently enacted by Congress. We have enclosed a notice containing important disclosures required by the Act. Please read this information carefully.

The primary purpose of the Act is to make available commercial property and casualty insurance coverage for losses resulting from certain acts of terrorism on the same material terms as for losses from other events. Additionally, insurance companies will begin making certain disclosures to their policyholders regarding the Act and the premium charged for terrorism coverage.

Again, please carefully review the enclosed materials. Please be aware that in our efforts to ensure that we communicate with you regarding all affected policies you have with us, you may receive more than one mailing of this notice. Please read each mailing carefully.

If you have any questions about how the Terrorism Risk Insurance Act of 2002 affects your coverage with us or about the enclosed information, please contact your agent or broker. For general information about the Terrorism Risk Insurance Act, and to review answers to frequently asked questions (FAQ's), please visit our website at www.zurichna.com.



IMPORTANT POLICYHOLDER NOTICE

We are providing these disclosures as required by the Terrorism Risk Insurance Act of 2002. No action is required on your part.

Disclosure of Federal Share of Insurance Company's Terrorism Losses

The Terrorism Risk Insurance Act of 2002 establishes a mechanism by which the United States government will share in insurance company losses resulting from acts of terrorism (as defined in the Act) after an insurance company has paid losses in excess of an annual aggregate deductible. For 2002, the insurance company deductible is 1% of direct earned premium in the prior year; for 2003, 7% of direct earned premium in the prior year; for 2004, 10% of direct earned premium in the prior year; and for 2005, 15% of direct earned premium in the prior year. The federal share of an insurance company's losses above its deductible is 90%. In the event the United States government participates in losses, the United States government may direct insurance companies to collect a terrorism surcharge from policyholders. The Act does not currently provide for insurance industry or United States government participation in terrorism losses that exceed \$100 billion in any one calendar year.

Disclosure of Terrorism Premium

Your policy incepted prior to the enactment of the Terrorism Risk Insurance Act of 2002 and does not include a specific premium charge for the risk of loss resulting from acts of terrorism (as defined in the Act). Future policies will contain a specific line item stating the terrorism premium, as required by the Act.

Definition of Act of Terrorism

The Terrorism Risk Insurance Act defines "act of terrorism" as any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States:

- 1. to be an act of terrorism;
- 2. to be a violent act or an act that is dangerous to human life, property or infrastructure;
- 3. to have resulted in damage within the United States, or outside of the United States in the case of an air carrier (as defined in section 40102 of title 49, United 17 States Code) or a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), or the premises of a United States mission; and
- 4. to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

But, no act shall be certified by the Secretary as an act of terrorism if the act is committed as part of the course of a war declared by Congress (except for workers' compensation) or property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.

These disclosures are informational only and do not modify your policy or affect your rights under the policy.



CENTRAL MIDLANDS EQC DISTRICT PO Box 156, Building #5 State Park, SC 29147 (803) 896-0620 Fax (803) 896-0617

May 19, 2005

Michael D. Shelley 209 Blythewood Road Blythewood, SC 29016

RE: Sanitary Survey of Ashley Oaks

Water System Number 4050030

Richland County

Dear Mr. Shelley:

On March 17, 2005, South Carolina Department of Health and Environmental Control (the Department) personnel conducted a sanitary survey of the above referenced water system. The intent of a survey is to evaluate a public water system's ability to provide a continuous supply of safe drinking water to its customers following the guidelines established by the State Primary Drinking Water Regulations, (R.61-51).

RECEIVED

MAY 2 0 2005

The enclosed sanitary survey report consists of a brief description of the system, and a list of the deficiencies that were noted during the survey, along with any general comments or recommendations concerning the water system and its operation.

Sincerely

S. Michele Culbreath

Central Midlands EQC District

CC: Susan Alder, DHEC Drinking Water

Jim Raymond, Palmetto Health District

Ashley Oaks May 19, 2005

Introduction:

On March 17, 2005 a sanitary survey was conducted on this system. Present at the time of the inspection were Michele Culbreath of the Department, and Harry Elkins, operator. The following report contains the findings of the inspection.

System Description:

This system contains four wells and 15,000 gallons of hydro pneumatic storage.

The tank is located next to 1724 Fulmer Rd.

Well one (1) is located 100yds past the storage tank.

Well two (2) is located to the left of the storage tank

Well three (3) is located on the right side of Locklier Rd.

Well four (4) is located at the rear cul-de-sac on Maple

Findings and Deficiencies:

The following deficiencies were noted and recommendations made for the 2004 survey. Comments for the 2005 survey are written in bold:

- 1. Item #1:Quantity- Over the past several years, this system has had to issue water restrictions during the summer months due to the drought. Additionally, two of the wells run over 16 hours per day in the summer months, indicating that there is a problem with capacity. Please evaluate your capacity and submit calculations to this office that show that the current wells can support the system with the largest well offline. This system has attempted to drill several new wells, with no success. The only option for this system now is to tie on to a larger system, and currently water is not available for this system. However, the system owner has been communicating with both the City of Columbia, and the City of Winnsboro.
- 2. Item #13: Operation and Control-Two of the wells on this system rarely run during the year, and mostly run in the summer months. The other two wells run over 16 hours a day during the summer months. Please make sure that the wells are set up so that they are all running and that one or two wells are not doing all of the work for the system. The back up wells on this system will start out with a fairly high gpm and then drop off to a very low gpm.
- 3. Item #14: Adequate pressure- This office has received many complaints of low pressure over the past three years. Please inform the Department in writing as to how these pressure problems will be resolved. This office has not received any pressure complaints yet this year, and received only a couple last summer.
- 4. Item #17: Valve/ hydrant maintenance- All of the valves must be exercised at least once a year. When this is done it must be documented and, kept in your files with the other records.

General Comments:

If the system continues to have capacity problems during the summer months, water restriction

notices should be issued to the residents. Also, in the past two years, the pumps have failed on several occasions. This is most likely due to the pumps being overworked. If the system continues to have problems with capacity once the operation and control problems are worked out, then a new source of water will need to be added to the system. This system is currently trying to tie on to either the Town of Winnsboro or the City of Columbia. Please keep the Department informed of any developments with tying on to these systems.

The overall rating on this system will continue to be 'Needs Improvement' until the capacity issues with this system are resolved. Thank you for your time and assistance. If you have any questions, please contact me at 896-0620.

Public Water System Inventory Report Form

Bureau of Water

System Name: **ASHLEY OAKS** (A)dd, (M)odify, (R)enum, (Q)elete: System Number: 4050030 Fax Number: NONE Today's Date: Mailing Address: Geographical/Contact Address (if different): MICHAEL SHELLEY MICHAEL SHELLY 209 BLYTHEWOOD RD **FULMER RD & LOCKLIER** BLYTHEWOOD, SC 29016 BLYTHEWOOD, SC 29016 Telephone: (803)786-1414 Emergency Telephone: (803)513-4286 Contact Telephone: NONE **System Characteristics** System Type.... C Inact Code. Service Area. . . . R1 Season On (mo/day). 01/01 Subtype. Inact Date (mo/yr). . . . Counties Served: Season Off (mo/day).... 12/31 Owner Type.... PRIV Begin Date (mo/yr). . . 10/1992 40 Statistical Information Source Use information: **Number of Service Connections:** 0 Residential...... > Total . . . 95 Percent Ground Water.... 100 Non Residential..... Percent Purchased Surface Water. . . 0 Maximum Allowable. 299 Percent Purchased Ground Water. . . . Permitted.... 101 Total must equal 100% Production (MGD): Number of Surface Water Sources. . . Average..... -9.0239 0,0199 Number of Ground Water Sources. . . . Maximum Day..... Purchased Suface Water Sources. . . . O Capacity: Number of Permanent SW Sources. . . Number of Emergency SW Sources. . . 0 .1166 Number of Permanent GW Sources. . . Emergency..... 0.0000

Comments

Storage:

Elevated (MG).....

Ground (MG).....

Pressure (TG).....

0.000

0.000

15.000

Signature:

Service Population:

Population.....

Secondary Population.....

Number of Emergency GW Sources. . .

0

205

0

SMichel Callera II

Public Water System Source/Plant Inventory Report

Bureau of Water

System Name: ASHLEY OAKS

System Number: 4050030

Source ID: G40387 (A)dd, (M)odify, (R)enum, (D)elete:

Reason: Sansuvey

Today's Date:

General Information

Location FULMER RD-100 yds past tank

Thicke helbreath

Source Name WELL ONE

Receiving Plant . . . NONE

Plant ID NONE

Availability Code P

Longitude - 81.00878120

Source Code G

Ground Water Source Information

Well Characteristics

Casing Diameter (in) 6

Casing Type G Under the Direct Influence of SW? . . N

Well Pump Characteristics

7.50

31.00 Design Yield (gpm)

Avg. Daily Production (TGD) . . -16.30

Regulated Capacity (TGD) . . . 29.76

Treatment Codes

N0000

Comments

5/155400

92 to

Public Water System Source/Plant Inventory Report

Bureau of Water

System Name: ASHLEY OAKS

System Number: 4050030

Source ID:

G40724

(A)dd, (M)odify, (R)enum, (D)elete:

Today's Date:

General Information

Location FULMER RD-left of storage tank

Source Name Well Two

Receiving Plant . . . NONE

Plant ID NONE

Availability Code P

Latitude 34.18201480

Longitude - 81.00869600

Source Code G

Ground Water Source Information

Well Characteristics

Depth (ft) 705

Casing Diameter (in) 6

Casing Type G Under the Direct Influence of SW? . . N

Well Pump Characteristics

0.75

13.00 Design Yield (gpm)

Test Yield (gpm) Avg. Daily Production (TGD) . .

10.00 3,23

Regulated Capacity (TGD) . . .

Treatment Codes

N0000

Shell allowed

Fe4 262021250

Public Water System Source/Plant Inventory Report

Bureau of Water

System Name: **ASHLEY OAKS**

System Number: 4050030

Source ID:

G40733

(A)dd, (M)odify, (R)enum, (D)elete:

Reason: San Sun

Today's Date:

General Information

Location Locklier Rd-right side

Source Name Well Three Receiving Plant . . . NONE

Plant ID NONE

Availability Code P

Latitude 34.18635520 Longitude - 81.00559370

Source Code G

Ground Water Source Information

Well Characteristics

Casing Diameter (in) 6 Casing Type G Under the Direct Influence of SW? . . N

Well Pump Characteristics

7.50 Design Yield (gpm) Avg. Daily Production (TGD) . . Regulated Capacity (TGD) . . . 46.08

Treatment Codes

N9970

Mar Feb 28 8106700

Southe Culbreath

Public Water System Source/Plant Inventory Report

Bureau of Water

System Name:

ASHLEY OAKS

System Number: 4050030

Source ID:

G40744

(A)dd, (M)odify, (R)enum, (B)elete:

Reason: ____

Today's Date:

General Information

Location Rear cul-de-sac Maple

Source Name Well Four Receiving Plant . . . NONE

Plant ID NONE

Availability Code P

Latitude 34.18639130 Longitude - 81.00562970

Source Code G

Ground Water Source Information

Well Characteristics

Depth (ft) 485 Casing Diameter (in) 6 Casing Type G Under the Direct Influence of SW? . . N

Well Pump Characteristics

7.50 37.00 Design Yield (gpm)

Test Yield (gpm) 50:00 S() () []

Regulated Capacity (TGD) . . .

35.52

N9970

Comments

Treatment Codes

March 1 9161300 Feb 28 10366700

Milde Cullbreath

SCDHEC Bureau of Water

Public Water System Sanitary Survey Report Ground Water Systems

System name:

ASHLEY OAKS

System number: 4050030

Last Survey: 02/18/2004

Survey Date: 3,17,05

SOURCE:		OPERATIONAL CONTROL:		D.	Distribution Operator Grade	
1 Quantity		28. Certified Operator/Staffing* .	S		A	
2. Protection from Contam	1 S	29. Testing Equipment*	S		B	
3. Security	s	30. Monitoring/Records			C 1	
4. Wellhead Piping	S	_		•		
5. Pumps	S	GENERAL O & M:			D	
6. Flow Measuring Device	S	31. Plant Security*	S		T	
		32. Facility Maintenance	S		G	
WATER TREATMENT:		33. Supplies/Spare Parts Inv	S	E.	Field Tests	
7. Filtration*		34. Waste Disposal*	S		Chlorine	
8. Equipment Maintenance*		35. Procedures Manual	1		pH	
9. Chemical Storage & Hand.*.		EMERGENCY OPERATION:			psi	
10. Chemical Feed*			N.		Other	
11. Chemical Injection Points*	S	36. Stand-by Power	N			
DISTRIBUTION:		37. Emergency Plan	S	S.	Samples Taken	
12. Water Quality	9	38. Drought Response Plan**	N		Bacteriological	
13. Operation & Control		CONSUMER CONFIDENCE REPOR	те.		Inorganic	
14 Adequate Pressure	<i>د</i> م	39. CCR (Y/N)			Organic	
15. Fire Flow	I N	39. CON (17N)	Y		Radiological	
16. Cross Connection Control.	_	A. System Group (i - V)	1		Other	
	S		•			
Valve/Hydrant Maintenance	1	B. Operator Grade		F.	Type Inspection/Visit GW ROUTIN	ŀΕ
• •	S	A		G	Are all services metered?	
	S	В		G .	Percent metered	N
·	S	C	1		· Crosite Motorca	
21. Sample Siting Plan	S	D		H.	s system presently under order?	N
22. Disimectant Residual*	5	т			If Yes, is system complying w/order?	N
STORAGE:					Fellow was a deal of the	
23. Capacity	S	C. Dist. Group (I - V)	11	1.	Follow up scheduled?	N
24. Sanitary Protection	S				Date Scrieduled	
	S			J. (Overall Rating	1
26. Appurtenances	S			K. (Operator/Owner present?	Y
27. Maintenance	s					•
		1				

1) must keep records 1) not enough capacity 1) pressure problems in past

^{*}Applicable for treated systems only.

^{**}Applicable for part 1 and 2 systems only.

This form represents neither a final approval of the water system, nor an approval to operate the system.

SCDHEC Bureau of Water

Public Water System Sanitary Survey Report Ground Water Systems

System name:

ASHLEY OAKS

System number: 4050030

Last Survey: 02/18/2004

Comments

Michile	albeeth
DHEC Representative	

System Representative

Title

March 17, 2005

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dwsnsvgw.rdf

Schedules in Support

of a

Rate Increase

Historical Test Year 12/31/04

Projected Impact on Completed System in Place

Lyn Richards, CPA, Inc.

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Balance Sheet

<u>Assets</u>		12/31/2004
Cash	\$	22,089.78
Accounts Receivable		1,989.19
Total Current Assets		24,078.97
Plant Facilities		80,919.94
Accumulated Depreciation		(48,659.00)
Net Plant Facilities		32,260.94
Total Assets	\$	56,339.91
Liabilities and Equity		
Customer Deposits Payable	\$	253.00
Advances from Northeast Realty and Builders, Inc.	-	126,941.00
Total Liabilities		127,194.00
Common Stock		1,000.00
Retained Earnings		(71,854.09)
Total Equity		(70,854.09)
Total Liabilities and Equity	\$	56,339.91

Schedule A-2

ASHLEY OAKS WATER SYSTEM, INC.

Income Statement	12/31/2004
Revenues:	
Base Monthly Charge	\$ 8,419.16
Metered Billings - Residential	15,797.23
Total Revenues	24,216.39
Expenses:	
Purchased Power	3,617.73
Repairs and Maintenance	483.70
Water Inspection Fees	1,359.91
Administration Costs (billing, collections, payables,	
banking, DHEC oversight)	17,031.00
Meter Reader Costs	476.25
Accounting Fees	843.75
Property Taxes	327.17
Depreciation	3,668.00
Miscellaneous	 33.59
Total Operating Expenses	27,841.10
Net Operating Income	(3,624.71)
Other Income:	
Interest	 299.62
Net Income (Loss)	\$ (3,325.09)

Schedule A-3

ASHLEY OAKS WATER SYSTEM, INC. Water System Operations

Capital Structure and Rate of Return

		<u>Amount</u>	<u>Ratio</u>		
Debt	\$	35,000.00	50.00%		
Equity	\$	35,000.00	<u>50.00%</u>		
	•				
	<u>\$</u>	<u>70,000.00</u>	<u>100.00%</u>		

Calculation of Operating Margin (PSC Method)
Revenue Requirement \$ 44,562.19
Equity Return 5,329.67
Operating Margin 11.1%

Water Operating Statement

	Year-End 12/31/2004	12/31/2004 Proposed	Adjustments	Notes	12/31/2004 Proposed
Operating Revenue:					
Base Monthly Charge DHEC Monitoring Fee Reserve Fee	\$ 8,419.16 - -	\$ 18,048.00 2,820.00 5,640.00			\$ 18,048.00 2,820.00 5,640.00
Metered Billings - Residential	15,797.23	18,227.57			18,227.57
	24,216.39	\$ 44,735.57			44,735.57
Operating Expenses:					
Purchased Power	3,617.73	3,617.73	180.89	1	3,798.62
Repairs and Maintenance	483.70	483.70			483.70
Water Inspection Fees	1,359.91	1,359.91	2,719.82	3	4,079.73
Administration Costs (billing, col					-
banking, DHEC oversight)	17,031.00	17,031.00			17,031.00
Meter Reader Costs	476.25	476.25	47.63	2	523.88
Accounting Fees	843.75	843.75			843.75
Amortization of Rate Increase C	harges			6	1,000.00
Property Taxes	327.17	327.17			327.17
Depreciation	3,668.00	3,668.00			3,668.00
Interest	-	-	7,616.46	4	7,616.46
Miscellaneous	33.59	33.59			33.59
	27,841.10	27,841.10			39,405.89
Net Income (Loss)	\$ (3,624.71)	\$ 16,894.47			\$ 5,329.67
Reserve for Replacement				5	(5,156.30)
Net Cash Flow					\$ 173.37
Debt Retirement					470.07
Net Cash from Operations					<u>\$ 173.37</u>
Rate Base					\$ 48,067
Rate of Return					11.1%

Adjustments to Operating Statement

Adjustment/Note 1

Adjustment to purchased power is estimated to be 5% due to anticipated rate increases.

Existing Utility Costs: 3,617.73 **Proposed Utility Costs** 3,798.62

Estimated Increase 180.89 5%

Adjustment/Note 2

Adjustment to meter reading is estimated to be 10% due to anticipated increases for independent contractor.

476.25 **Existing Costs:** Proposed Costs 523.88 **Estimated Increase**

47.63 10%

Adjustment/Note 3

Adjustment to DHEC monitoring costs is for bringing the company into full compliance with regard to the frequency of water testing. Currently the water system is not being tested as often as is required by PSC guidelines.

> **Existing Costs:** 1,359.91 Proposed Costs 4,079.73 2.719.82 200% Estimated Increase

Adjustment/Note 4

All plant facilities have been paid for by a related company, Northeast Realty and Builders, Inc. This company has funded the advance to the water company with borrowed money, which has a related interest cost of 6%. The proposed increase matches the cost to Northeast Realty and Builders, Inc.

> **Existing Costs:** Proposed Costs 7,616.46 7,616.46 **Estimated Increase**

Adjustment/Note 5

It is anticipated that the reserve for repairs and replacement will fund all necessary repairs and the balance will be escrowed for equipment replacement/enhancement costs.

5.640.00 Total collected for reserve Anticipated repair costs (483.70)5,156.30 Balance to escrow

Adjustment/Note 6

Professional fees for preparation of rate increase schedules; documentation; analysis; response to PSC requests for additional information; and testimony before the PSC regarding such schedules, documentation and analysis is anticipated to be \$5,000. This cost is substantially lower than customary rates for such services.

The cost is anticipated to be amortized over five years.

Total Cost: \$5,000; Divided by five years = \$1,000 per year.

Operating Margin Analysis

NAWC 1999 Financial Summary for Investor-Owned Water Utilities Economic Research Program

						Ashley Oaks				
		All		Revenues	Revenues			South	W	ater System, Inc.
	9	<u>Companies</u>	\$5M-\$10M			\$1M-\$5M		Region	<u>C</u>	omplete System
Total Companies Surveyed		71		8		17		10		1
Average Number of Employees		151		29		12		142		0.1
Average Payroll Expense	\$	7,432,758	\$	1,369,277	\$	490,999	\$	6,246,688	\$	6,796
Average Payroll/Employee	\$	49,224	\$	47,216	\$	40,917	\$	43,991	\$	67,956
Average O & M Expense	\$	19,841,375	\$	3,706,692	\$	1,426,473	\$	13,493,283	\$	32,610
Payroll to Total O & M Expense		37.5%		36.9%		34.4%		46.3%		20.8%
Average Operating Expenses	\$	31,885,225	\$	5,828,901	\$	2,146,449	\$	21,483,122	\$	39,406
Payroll to Operating Expenses		23.3%		23.5%		22.9%		29.1%		17.2%
Average Operating Revenues	\$	41,380,100	\$	7,267,084	\$	2,761,532	\$	27,290,563	\$	48,067
Average Net Income	\$	5,793,287	\$	712,759	\$	399,014	\$	3,406,876	\$	5,330
Operating Margin		14.0%		9.8%		14.4%		12.5%		11.1%

Note: South Region includes the following States:AR, FL, KY, LA, NC, SC, TN, TX, TX, VA, WV

Water Billing Analysis at Present Rates Year-End 12/31/04

Residential	Monthly <u>Bills</u> 94	Annual <u>Usage (tg)</u>	Monthly Base Charge	<u>Charge</u>		ise Charge <u>Revenue</u>	Usage <u>Revenue</u>	Total <u>Revenue</u>
Water Gallon Usage		8,101		\$ 1.95			\$ 15,797.22	\$ 15,797.22
Base Charge			1,203	\$ 7.00	\$	8,421.00		\$ 8,421.00
Tap Fees		-	-	\$ 500.00				\$ -
DHEC Monitoring Fee			0	\$ 28.00	\$	-		\$
					То	tal Present	Revenue	\$ 24,218.22

Water Billing Analysis at Proposed Rates Year-End 12/31/04

Residential	Monthly <u>Bills</u> 94	Annual <u>Usage (tg)</u>	Monthly Base Charge		<u>Charge</u>	Base Charge Revenue	Usage <u>Revenue</u>		Total <u>Revenue</u>
Water Gallon Usage Base Charge Tap Fees Reserve Fee	94	8,101 -	1,128 - 1,128	\$ \$ \$ \$ \$	2.25 16.00 500.00 5.00	\$ 18,048.00	\$ 18,227.57	\$ \$ \$	18,227.57 18,048.00 - 5.640.00
DHEC Monitoring Fee			94	•	30.00	\$ 2,820.00 Total Propose	ed Revenue	\$ \$	2,820.00

Water Billing Analysis at Present Rates Pro Forma - Complete System

	Monthly <u>Bills</u>	Annual <u>Usage (tg)</u>	Monthly Base Charge	<u>(</u>	Charge	se Charge Revenue	Usage <u>Revenue</u>	Total <u>Revenue</u>
Residential	101							
Water Gallon Usage		8,704		\$	1.95		\$ 16,973.61	\$ 16,973.61
Base Charge			1,212	\$	7.00	\$ 8,484.00		\$ 8,484.00
Tap Fees		-	-	\$	500.00			\$ -
DHEC Monitoring Fee			0	\$	28.00	\$ -		<u> </u>

Total Revenue, Present Rates, Complete System \$ 25,457.61

Water Billing Analysis at Proposed Rates Pro Forma - Complete System

	Monthly <u>Bills</u>	Annuai Usage (tg)	Monthly Base Charge	<u>Charge</u>		Bas <u>Charge</u> <u>R</u>		Usage <u>Revenue</u>	Total <u>Revenue</u>
Residential	101								
Water Gallon Usage		8,704		\$	2.25			\$ 19,584.94	\$ 19,584.94
Base Charge		-	1,212	\$	16.00	\$	19,392.00		19,392.00
Tap Fees		-	-	\$	500.00				-
Reserve Fee			1212	\$	5.00				6,060.00
DHEC Monitoring Fee			101	\$	30.00	\$	3,030.00		3,030.00

Total Revenue, Proposed Rates, Complete System \$ 48,066.94

ASHLEY OAKS WATER SYSTEM

Schedule of Fixed Assets and Depreciation Expense

2002 Deprec. 10 10 45 2,712 194 53 209 42 87 197 70 55	3,694	2012 Deprec. 10 10 2,712 194 53 209 42 82 186 65 65 63 3,669
2001 Deprec. 10 45 2,712 194 53 212 46 97 218 76 60	3,744	2011 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 65 3,669
2000 Deprec. 9 10 45 2,750 197 58 248 53 119 270 899	3,924	2010 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 51 10
1999 Deprec. 10 11 49 2,972 213 63 268 59 132 300	4,076	2009 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 65 3,669
1998 Deprec. 11 13,214 230 68 289 62 70 70 853	4,861	2008 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 65 3,669
1997 Deprec. 13 13 58 3,475 248 73 312 67	4,259	2007 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 65 51 10
1996 Deprec. 13 13 62 3,756 269 79 338 35	4,565	2006 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 51 10
1995 Deprec. 13 13 65 4,065 289 86 176	4,706	2005 Deprec. 10 10 45 2,712 194 53 209 42 82 186 65 51 10
1994 Deprec. 15 16 72 4,390 314 45	4,852	2004 Deprec. 10 10 45 2,712 194 209 42 82 186 65 65
1993 Deprec. 8 8 2,281 163	2,497	2003 Deprec. 10 10 45 2,712 194 53 209 42 87 197 197 3.694
Cost 208 208 1,000 60,818 4,351 1,188 1,395 1,183 1,183 1,183	80,921	Cost 208 208 1,000 60,818 4,351 1,188 4,684 4,684 1,395 3,850 1,183 1,183 1,183 1,183
Method M-20 M-20 M-20 M-20 M-20 M-20 M-20 M-20		Method M-20 M-20 M-20 M-20 M-20 M-20 M-20 M-20
Date 12/8/1989 11/9/1990 12/8/1989 8/31/1990 1/30/1992 6/22/1994 4/3/1995 6/18/1996 6/18/1996 1/1/2000 1/1/2000		Date 12/8/1989 11/9/1990 12/8/1989 8/31/1990 1/30/1992 6/22/1994 4/3/1995 6/18/1998 8/8/1998 1/1/2000 1/1/2000
Description Pump House Pump House Site Engineering Water Mains Filtration System Water lines 2 Wells & Pumps Equip Enhanc Pumps Equipment Water Taps Additional Meters Installation costs		Description Pump House Pump House Site Engineering Water Mains Filtration System Water lines 2 Wells & Pumps Equip Enhanc Pumps Equipment Water Taps Additional Meters Installation costs

M-20 Method is tax depreciation, the accounting method used by the company. Tax depreciation is 20 years, double-declining balance.

Revenue Requirement

Equity Return Debt Service Federal Income Tax Equity Grossed-Up	\$ 	- - -
Operating Expenses Depreciation Amortization		27,794.26 3,668.00
Property Taxes		327.17
Interest Expense Reserve for Equipment		7,616.46 5,156.30
Payroll Taxes		-
Gross Revenue Tax	_	44,562.19
Revenue Requirement	\$	44,562.19
Revenue at Present Rates	\$	24,216.39
Percentage Increase		84.02%

ASHLEY OAKS WATER SYSTEM, INC. Statement of Proposed Rates

Workpaper 2

I. Residential Rates		Present Rates		Proposed Rates		
	 A. Water 1) Tapping Fees & 3/4" Meter Box 2) Base Monthly Charge 3) Consumption Charge (per 1,000 gallons) 4) DHEC Monitoring Fee - Base Annual Charge (Currently not being charged for 2004) 	\$ \$ \$ \$	500.00 7.00 1.95 27.57	\$ \$ \$	500.00 16.00 2.25 30.00	
111.	Special Conditions A. Tapping Fees: Remain as in original tariff.					
	C. System Development Charge: Currently, there is no reserve for replacing or repairing pumps or water lines Proposed increase will be escrowed for replacement of equipment.	\$	-	\$	5.00	

Lyn Richards, CPA, Inc.

121 Executive Center Drive, Suite 243 Columbia, SC 29210 803.798.4302 (ph) 803.798.7153 (fax) Email: Lyn@Lraonline.com

Accompanying Accountant's Compilation Report

Shareholder – Ashley Oaks Water System, Inc.

I have compiled the accompanying balance sheet; income statement; and the related capital structure and rate of return; water operating statement; adjustments to operating statement; operating margin analysis; water billing analysis at present rates (year-end 12/31/04); water billing analysis at present rates pro forma – complete system; typical water bill comparison; schedule of fixed assets and depreciation expense; revenue requirement; and statement of proposed rates for the year ended December 31, 2004, and for the future one year in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit the statement of cash flows and substantially all the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

LYN RICHARDS, CPA, INC. Certified Public Accountants

Lyn Kichause CPA Jac.

June 29, 2005

